	United States	Office of the	National	P.O. Box 60000
USDA	Department of	Chief Financial	Finance	New Orleans
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Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 05-11, Montana State Income Tax Withholding

Date: April 11, 2005

To: Holders of TAXES (State of Montana only)
Personnel User Groups
T&A Contact Points in Montana

Beginning with wages paid for Pay Period 7, the National Finance Center (NFC) will make the following changes to the state of Montana income tax withholdings:

- The exemption allowance will increase from $1,780 to $1,900.

- The withholding table will change.

- The nontaxable flexible spending accounts (health care and dependent care) deductions statement will be added to step 2 on the state tax formula.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (*www.nfc.usda.gov*) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "▶◀".

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at *customer.support@usda.gov.*

MARK J. HAZUDA, Director
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N F C   B U L L E T I N

Montana State Income Tax Information

State Abbreviation:	MT
State Tax Withholding State Code:	30
Acceptable Exemption Form:	W-4
Basis For Withholding:	State Exemptions
Acceptable Exemption Data:	S, M / Number of Exemptions
TSP Deferred:	Yes
Special Coding:	None
Additional Information:	None

Withholding Formula ▶(Effective Pay Period 7, 2005)◀

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.

2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) ▶(includes flexible spending account - health care and dependent care deductions)◀ from the amount computed in step 1.

3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.

4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.

5. Determine the exemption allowance by applying the following guideline and subtracting this amount from the result of step 4 to compute the taxable income.

    Exemption Allowance = ▶$1,900◀ x Number of Exemptions

6. Apply the taxable income computed in step 5 to the following table to determine the annual Montana tax withholding.

Tax Withholding Table

If the Amount of Taxable Income Is:		The Amount of Montana Tax Withholding Should Be:				Of Excess Over:
Over:	**But Not Over:**					
$ ▶0	$ 7,000	$	0	plus	1.8%	$ 0
7,000	15,000		126	plus	4.4%	7,000
15,000	120,000		478	plus	6.0%	15,000
120,000	and over		6,778	plus	6.6%	120,000◀

7. Divide the annual Montana tax withholding by 26 and round to the nearest dollar to obtain the biweekly Montana tax withholding.